



EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
WASHINGTON, D.C. 20503

THE DIRECTOR

August 26, 1998

The President
The White House
Washington, DC 20500

Dear Mr. President:

Enclosed please find the *OMB Sequestration Update Report to the President and Congress for fiscal year 1999*, as required by the Budget Enforcement Act of 1990 (BEA), as amended.

The report provides current estimates of the status of discretionary spending and the discretionary limits. It also provides the status of pay-as-you-go legislation based on reports transmitted to date. Comparisons with the estimates provided by the Director of the Congressional Budget Office in her report are also included.

The report estimates that no sequestration for 1999 is necessary based on enacted legislation reported on under the BEA as of August 15, 1998. However, the report indicates that if appropriations were enacted at the House levels, sequestration of defense budget authority would be triggered. Whether sequestration may ultimately be necessary depends, of course, on final Congressional action. A final sequestration report will be issued 15 days after Congress adjourns.

Sincerely,

A handwritten signature in black ink, appearing to read "Jacob J. Lew".

Jacob J. Lew
Director

Enclosure

Identical Letters Sent to Honorable Albert Gore
and Honorable Newt Gingrich

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GENERAL NOTES

1. All years referred to are fiscal years unless otherwise noted.
2. Details in the tables and text may not add to totals due to rounding.

I. OVERVIEW

The Budget Enforcement Act of 1997 (BEA of 1997) extended and modified the expiring enforcement requirements of the Budget Enforcement Act of 1990 (BEA of 1990). The BEA of 1997 established new limits, or “caps,” for discretionary spending through 2002. It also extended pay-as-you-go enforcement for any “legislation enacted before October 1, 2002, affecting direct spending or receipts that increases the deficit.” The Transportation Equity Act for the 21st Century (TEA-21) further modified the discretionary spending limits and created new limits for highway and mass transit spending. An across-the-board reduction of non-exempt spending, known as “sequestration,” enforces compliance with these various constraints.

The BEA requires that OMB issue reports 1) seven working days after enactment of individual bills, and 2) three times a year on the overall status of discretionary and pay-as-you-go legislation. This report provides

OMB's updated estimates, reflecting legislation reported on by OMB as of August 15, 1998. As the BEA requires, the estimates rely on the same economic and technical assumptions as in the President's 1999 budget, which the Administration transmitted to Congress on February 2, 1998.

As explained later, the current status of legislative action is:

- For House action to date, budget authority exceeds the limit set for defense discretionary programs. If the bills were enacted at the levels contained in the House, they would trigger a sequester of defense budget authority.
- Action to date for all other discretionary categories is within the limits required by the BEA.
- The current pay-as-you-go scorecard shows a combined savings of \$639 million for 1998 and 1999.

II. DISCRETIONARY SEQUESTRATION REPORT

Discretionary programs are funded annually through the appropriations process. The scorekeeping guidelines accompanying the Budget Enforcement Act (BEA) of 1990, as amended by the Omnibus Budget and Reconciliation Act of 1993, and by the Budget Enforcement Act of 1997, identify accounts with discretionary resources. The BEA of 1997 limits, or caps, budget authority and outlays available for discretionary programs each year through 2002. For 1998 and 1999, the BEA of 1997 establishes three separate categories of discretionary spending: defense, non-defense (excluding violent crime reduction spending), and violent crime reduction spending. For 2000, the law divided discretionary spending into two categories: violent crime reduction spending and all other discretionary spending. For 2001 and 2002, the BEA of

1997 provided for a single category for all discretionary spending.

P.L. 105-178, the Transportation Equity Act for the 21st Century (TEA-21), which was signed into law on June 9, 1998, established new discretionary spending outlay caps for highway and mass transit categories for 1999 through 2003. TEA-21 also lowered the existing discretionary spending limits (both budget authority and outlay limits) as illustrated in Tables 1 and 2.

OMB monitors compliance with the discretionary spending limits throughout the year. Appropriations that cause a breach in the budget authority or outlay caps trigger a sequester to eliminate that breach. Table 1 summarizes changes to the caps since 1990.

Table 1. HISTORICAL SUMMARY OF CHANGES TO DISCRETIONARY SPENDING LIMITS

(In billions of dollars)

		1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002
TOTAL DISCRETIONARY													
Statutory Caps as set in OBRA 1990 and OBRA 1993	BA	491.7	503.4	511.5	510.8	517.7	519.1	528.1	530.6	N/A	N/A	N/A	N/A
	OL	514.4	524.9	534.0	534.8	540.8	547.3	547.3	547.9	N/A	N/A	N/A	N/A
Adjustments for changes in concepts and definitions	BA	.....	7.7	8.2	8.2	8.8	-0.6	-0.4	3.1	N/A	N/A	N/A	N/A
	OL	.....	1.0	2.4	2.3	3.0	-0.5	-2.6	-2.8	N/A	N/A	N/A	N/A
Adjustments for changes in inflation	BA	.....	-0.5	-5.1	-9.5	-11.8	3.0	2.6	.....	N/A	N/A	N/A	N/A
	OL	.....	-0.3	-2.5	-5.8	-8.8	1.8	2.3	0.9	N/A	N/A	N/A	N/A
Adjustments for credit reestimates, IRS funding, debt forgive- ness, IMF, and CDRs	BA	0.2	0.2	13.0	0.6	0.7	0.1	0.2	0.1	N/A	N/A	N/A	N/A
	OL	0.3	0.3	0.8	0.8	0.9	0.1	0.3	0.1	N/A	N/A	N/A	N/A
Adjustments for emergency requirements	BA	0.9	8.3	4.6	12.2	7.7	5.0	1.6	.....	N/A	N/A	N/A	N/A
	OL	1.1	1.8	5.4	9.0	10.1	6.4	5.4	1.7	N/A	N/A	N/A	N/A
Adjustment pursuant to Sec. 2003 of P.L. 104-19 ¹	BA	.....	.....	.....	.....	-15.0	-0.1	-0.1	.....	N/A	N/A	N/A	N/A
	OL	.....	.....	.....	.....	-1.1	-3.5	-2.4	-1.5	N/A	N/A	N/A	N/A
Adjustments for special allowances:													
Discretionary new budget authority	BA	.....	3.5	2.9	2.9	2.9	.....	.....	.....	N/A	N/A	N/A	N/A
	OL	.....	1.4	2.2	2.6	2.7	1.1	0.5	0.1	N/A	N/A	N/A	N/A
Outlay allowance	BA	.....	.....	.....	.....	.....	.....	.....	.....	N/A	N/A	N/A	N/A
	OL	2.6	1.7	0.5	1.0	.....	.....	.....	.....	N/A	N/A	N/A	N/A
Subtotal, adjustments excluding Desert Shield/Desert Storm	BA	1.1	19.2	23.6	14.3	-6.7	7.5	4.0	3.1	N/A	N/A	N/A	N/A
	OL	3.9	5.9	8.8	1	6.8	5.5	3.7	-1.5	N/A	N/A	N/A	N/A
Adjustments for Operation Desert Shield/Desert Storm	BA	44.2	14.0	0.6	*	*	.....	.....	.....	N/A	N/A	N/A	N/A
	OL	33.3	14.9	7.6	2.8	1.1	.....	.....	.....	N/A	N/A	N/A	N/A
Total adjustments	BA	45.4	33.2	24.2	14.3	-6.7	7.5	4.0	3.1	N/A	N/A	N/A	N/A
	OL	37.2	20.8	16.4	12.8	7.8	5.5	3.7	-1.5	N/A	N/A	N/A	N/A
Spending limits as of 2/6/97 ²	BA	537.1	536.6	535.7	525.1	511.0	526.7	532.0	533.8	N/A	N/A	N/A	N/A
	OL	551.6	545.7	550.4	547.6	548.6	552.7	551.0	546.4	N/A	N/A	N/A	N/A
Adjustment to reach discretionary spending limits included in the 1997 Bipartisan Budget Agreement	BA	N/A	N/A	N/A	N/A	N/A	N/A	N/A	-6.9	N/A	N/A	N/A	N/A
	OL	N/A	N/A	N/A	N/A	N/A	N/A	N/A	6.9	N/A	N/A	N/A	N/A
Statutory Caps as set in 1997 Bipartisan Budget Agreement ³	BA	N/A	N/A	N/A	N/A	N/A	N/A	N/A	526.9	533.0	537.2	542.0	551.1
	OL	N/A	N/A	N/A	N/A	N/A	N/A	N/A	553.3	559.3	564.3	564.4	560.8
Adjustments for changes in concepts and definitions	BA	N/A	N/A	N/A	N/A	N/A	N/A	N/A	.....	-0.2	-0.2	-0.2	-0.2
	OL	N/A	N/A	N/A	N/A	N/A	N/A	N/A	.....	-0.3	-0.4	-0.5	-0.5
Adjustments for emergency requirements	BA	N/A	N/A	N/A	N/A	N/A	N/A	7.7	5.7	.....	.....	.....	.....
	OL	N/A	N/A	N/A	N/A	N/A	N/A	2.7	5.2	3.2	1.7	0.5	0.1
Adjustments for CDRs, Arrearages, EITC	BA	N/A	N/A	N/A	N/A	N/A	N/A	.....	0.9	.....	.....	.....	.....
	OL	N/A	N/A	N/A	N/A	N/A	N/A	.....	0.5	0.1	0.1	0.1	0.1
Adjustments for special allowances:													
Outlay allowance	BA	N/A	N/A	N/A	N/A	N/A	N/A	.....	.....	.....	.....	.....	.....
	OL	N/A	N/A	N/A	N/A	N/A	N/A	.....	1.2	.....	.....	.....	.....

Table 1. HISTORICAL SUMMARY OF CHANGES TO DISCRETIONARY SPENDING LIMITS—Continued

(In billions of dollars)

		1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002
TEA-21 Adjustment (Net) ⁴	BA	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	-0.9	-0.9	-0.9	-0.9
	OL	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	1.1	3.2	5.1	6.0
Update Report spending limits ³	BA	537.1	536.6	535.7	525.1	511.0	526.7	539.7	533.4	532.0	536.1	541.0	550.0
	OL	551.6	545.7	550.4	547.6	548.6	552.7	553.7	560.2	563.5	568.8	569.5	566.4

* Less than \$50 million.

¹ P.L. 104-19, Emergency Supplemental Appropriations for Additional Disaster Assistance, for Anti-Terrorism Initiatives, for Assistance in the Recovery from the Tragedy that Occurred at Oklahoma City, and Rescissions Act, 1995, was signed into law on July 27, 1995. Section 2003 of that bill directed the Director of OMB to make a downward adjustment in the discretionary spending limits for 1995-1998 by the aggregate estimate by the amount of reductions in new budget authority and outlays for discretionary programs resulting from the provisions of the bill, other than emergency appropriations.

² Reflects combined General Purpose Discretionary and Violent Crime Reduction Discretionary spending limits.

³ Reflects combined Defense Discretionary, Non-Defense Discretionary (Excluding Crime), Violent Crime Reduction, Highway Category, and Mass Transit Category spending limits.

⁴ Sec. 8101(a) of P.L. 105-178, the Transportation Equity Act for the 21st Century (TEA-21), which was signed by the President on June 6, 1998, established two new discretionary spending categories: Highway and Mass Transit. Sec. 8101(b) of TEA-21 provided for an offsetting adjustment in the existing discretionary spending limits.

Table 2. DISCRETIONARY SPENDING LIMITS

(In millions of dollars)

		1998	1999	2000	2001	2002
NON-DEFENSE DISCRETIONARY SPENDING, EXCLUDING VIOLENT CRIME REDUCTION SPENDING						
Preview Report Non-Defense Discretionary Spending Limits (Excluding Violent Crime Reduction)	BA	253,506	255,450	N/A	N/A	N/A
	OL	285,686	289,297	N/A	N/A	N/A
Adjustments for the Update Report:						
Adjustment pursuant to Sec 8101(b), "Offsetting Adjustment in Discretionary Spending" of P.L. 105-178, the Transportation Equity Act of the 21st Century (TEA-21) that was signed by the President on 6/6/98	BA	.....	-859	N/A	N/A	N/A
	OL	.....	-25,144	N/A	N/A	N/A
Emergency Appropriations Enacted in P.L. 105-174, the FY 1998 Supplemental Appropriations and Rescissions Bill	BA	2,434	.....	N/A	N/A	N/A
	OL	505	763	N/A	N/A	N/A
Contingent Emergency Appropriations Released	BA	150	.....	N/A	N/A	N/A
	OL	111	36	N/A	N/A	N/A
Subtotal, Adjustments for the Update Report	BA	2,584	-859	N/A	N/A	N/A
	OL	616	-24,345	N/A	N/A	N/A
Update Report Spending Limits	BA	256,090	254,591	N/A	N/A	N/A
	OL	286,302	264,952	N/A	N/A	N/A
Anticipated Further Adjustments for the End-of-Session Sequestration Report:						
EITC Tax Compliance Initiative	BA	.....	143	N/A	N/A	N/A
	OL	.....	143	N/A	N/A	N/A
Continuing Disability Reviews (CDRs)	BA	.....	355	N/A	N/A	N/A
	OL	.....	327	N/A	N/A	N/A
MDB Arrearage Payments (Foreign Operations bill)	BA	.....	502	N/A	N/A	N/A
	OL	.....	35	N/A	N/A	N/A
UN Arrearage Payments (Commerce/Justice/State bill)	BA	.....	475	N/A	N/A	N/A
	OL	.....	475	N/A	N/A	N/A
IMF: Increase in the U.S. Quota	BA	.....	14,500	N/A	N/A	N/A
	OL	.....	.....	N/A	N/A	N/A
IMF: New Arrangements to Borrow (NAB)	BA	.....	3,361	N/A	N/A	N/A
	OL	.....	.....	N/A	N/A	N/A
Adoption Incentive Payments	BA	.....	20	N/A	N/A	N/A
	OL	.....	2	N/A	N/A	N/A
Supplemental Security Income (SSI) Non-disability Redeterminations of Eligibility	BA	.....	50	N/A	N/A	N/A
	OL	.....	46	N/A	N/A	N/A
Subtotal, Anticipated Adjustments	BA	.....	19,406	N/A	N/A	N/A
	OL	.....	1,028	N/A	N/A	N/A
Anticipated End-of-Session Sequestration Report Limits ...	BA	256,090	273,997	N/A	N/A	N/A
	OL	286,302	265,980	N/A	N/A	N/A
DEFENSE DISCRETIONARY SPENDING						
Preview Report Defense Discretionary Spending Limits ...	BA	269,000	271,570	N/A	N/A	N/A
	OL	267,124	266,635	N/A	N/A	N/A
Adjustments for the Update Report:						
Emergency Appropriations Enacted in P.L. 105-174, the FY 1998 Supplemental Appropriations and Rescissions Bill	BA	2,832	.....	N/A	N/A	N/A
	OL	1,955	575	N/A	N/A	N/A

Table 2. DISCRETIONARY SPENDING LIMITS—Continued
(In millions of dollars)

		1998	1999	2000	2001	2002
Update Report Defense Discretionary Spending Limit ...	BA	271,832	271,570	N/A	N/A	N/A
	OL	269,079	267,210	N/A	N/A	N/A
Anticipated Other Adjustments for the End-of-Session Sequestration Report:						
No Adjustments	BA	.....	.....	N/A	N/A	N/A
	OL	.....	.....	N/A	N/A	N/A
Anticipated End-of-Session Sequestration Report Limits ...	BA	271,832	271,570	N/A	N/A	N/A
	OL	269,079	267,210	N/A	N/A	N/A
VIOLENT CRIME REDUCTION SPENDING						
Preview Report Violent Crime Reduction Spending Limits	BA	5,500	5,800	4,500	N/A	N/A
	OL	4,833	4,953	5,554	N/A	N/A
Adjustments for the Update Report:						
No Adjustments	BA	.....	.....	.....	N/A	N/A
	OL	.....	.....	.....	N/A	N/A
Update Report Violent Crime Reduction Spending Limits	BA	5,500	5,800	4,500	N/A	N/A
	OL	4,833	4,953	5,554	N/A	N/A
Anticipated Other Adjustments for the End-of-Session Sequestration Report:						
Special Outlay Allowance	BA	.....	.....	.....	N/A	N/A
	OL	.....	11	.....	N/A	N/A
Anticipated End-of-Session Sequestration Report Limits	BA	5,500	5,800	4,500	N/A	N/A
	OL	4,833	4,964	5,554	N/A	N/A
HIGHWAY CATEGORY						
Preview Report Highway Category Spending Limits	BA	N/A	.....	.....	.....	.....
	OL	N/A	.....	.....	.....	.....
Adjustments for the Update Report:						
Spending Limits Established in the Transportation Equity Act for the 21st Century (Sec 8101(a))	BA	N/A	.....	.....	.....	.....
	OL	N/A	21,885	24,436	26,204	26,977
Emergency Appropriations Enacted in P.L. 105-174, the FY 1998 Supplemental Appropriations and Rescissions Bill (Spendout of emergency FHWA Funds)	BA	N/A	.....	.....	.....	.....
	OL	N/A	92	36	22	13
Subtotal, Adjustments for the Update Report	BA	N/A	.....	.....	.....	.....
	OL	N/A	21,977	24,472	26,226	26,990
Update Report Highway Category Spending Limits	BA	N/A	.....	.....	.....	.....
	OL	N/A	21,977	24,472	26,226	26,990
Anticipated Other Adjustments for the End-of-Session Sequestration Report:						
No Adjustments	BA	N/A	.....	.....	.....	.....
	OL	N/A	.....	.....	.....	.....
Anticipated End-of-Session Sequestration Report Limits ...	BA	N/A	.....	.....	.....	.....
	OL	N/A	21,977	24,472	26,226	26,990

Table 2. DISCRETIONARY SPENDING LIMITS—Continued

(In millions of dollars)

		1998	1999	2000	2001	2002
MASS TRANSIT CATEGORY						
Preview Report Mass Transit Category Spending Limits	BA	N/A				
	OL	N/A				
Adjustments for the Update Report:						
Spending Limits Established in the Transportation Equity Act for the 21st Century (Sec 8101(a))	BA	N/A				
	OL	N/A	4,401	4,761	5,190	5,709
Update Report Mass Transit Category Spending Limit ...	BA	N/A				
	OL	N/A	4,401	4,761	5,190	5,709
Anticipated Other Adjustments for the End-of-Session Sequestration Report:						
No Adjustments	BA	N/A				
	OL	N/A				
Anticipated End-of-Session Sequestration Report Limits ...	BA	N/A				
	OL	N/A	4,401	4,761	5,190	5,709
OTHER DISCRETIONARY SPENDING						
Preview Report Other Discretionary Spending Limits	BA	N/A	N/A	532,485	541,810	550,840
	OL	N/A	N/A	559,129	564,073	560,346
Adjustments for the Update Report:						
Emergency Appropriations Enacted in P.L. 105-174, the FY 1998 Supplemental Appropriations and Rescissions Bill	BA	N/A	N/A			
	OL	N/A	N/A	852	388	26
Contingent Emergency Appropriations Released	BA	N/A	N/A			
	OL	N/A	N/A	3		
Adjustment pursuant to Sec 8101(b), "Offsetting Adjustment in Discretionary Spending" of P.L. 105-178, the Transpor- tation Equity Act of the 21st Century (TEA-21) that was signed by the President on 6/6/98	BA	N/A	N/A	-859	-859	-859
	OL	N/A	N/A	-26,009	-26,329	-26,675
Subtotal, Adjustments for the Update Report	BA	N/A	N/A	-859	-859	-859
	OL	N/A	N/A	-25,154	-25,941	-26,649
Update Report Other Discretionary Spending Limits	BA	N/A	N/A	531,626	540,951	549,981
	OL	N/A	N/A	533,975	538,132	533,697
Anticipated Further Adjustments for the End-of-Session Sequestration Report:						
EITC Tax Compliance Initiative	BA	N/A	N/A			
	OL	N/A	N/A			
Continuing Disability Reviews (CDRs)	BA	N/A	N/A			
	OL	N/A	N/A	28		
MDB Arrearage Payments (Foreign Operations bill)	BA	N/A	N/A			
	OL	N/A	N/A	51	70	86
UN Arrearage Payments (Commerce/Justice/State bill)	BA	N/A	N/A			
	OL	N/A	N/A			
Adoption Incentive Payments	BA	N/A	N/A			
	OL	N/A	N/A	13	5	

Table 2. DISCRETIONARY SPENDING LIMITS—Continued
(In millions of dollars)

		1998	1999	2000	2001	2002
Supplemental Security Income (SSI) Non-disability Redeterminations of Eligibility	BA	N/A	N/A	.....	.....	.....
	OL	N/A	N/A	4	.....	.....
Subtotal, Anticipated Adjustments	BA	N/A	N/A	.....	.....	.....
	OL	N/A	N/A	96	75	86
Anticipated End-of-Session Sequestration Report Limits ...	BA	N/A	N/A	531,626	540,951	549,981
	OL	N/A	N/A	534,071	538,207	533,783
TOTAL DISCRETIONARY SPENDING						
Preview Report Total Discretionary Spending Limits	BA	528,006	532,820	536,985	541,810	550,840
	OL	557,643	560,885	564,683	564,073	560,346
Update Report Total Discretionary Spending Limits	BA	533,422	531,961	536,126	540,951	549,981
	OL	560,214	563,493	568,762	569,548	566,396
Anticipated End-of-Session Total Discretionary Spending Limits	BA	533,422	551,367	536,126	540,951	549,981
	OL	560,214	564,532	568,858	569,623	566,482

Adjustments to discretionary limits.—Table 2 shows how adjustments permitted under section 251(b) of the BEA of 1997 affect the discretionary limits.

Section 251(b)(2) of the BEA authorizes certain adjustments after the enactment of appropriations. Table 2 includes those adjustments that can be made now due to legislation enacted to date. Table 2 also includes adjustments that would be made assuming enactment of the President’s proposals. The Administration will determine the actual adjustments to be included in the final sequestration report at the end of this year’s session of Congress once all appropriations are enacted. The section 251(b)(2) adjustments include:

Emergency Appropriations.—These cap adjustments cover funding for amounts that the President designates as “emergency requirements” and that Congress so designates in law. Since the President submitted the 1999 budget in February, Congress has enacted emergency supplemental appropriations requested to support critical relief efforts for the victims of natural disasters (including El Nino-related storms in California, ice storms in New England, and tornadoes and flooding in the Southeast), U.N. peacekeeping

operations in Bosnia and Southwest Asia, and other purposes. Further, the President has authorized the release of additional emergency appropriations that were previously enacted for the Department of Health and Human Services to support the needs of States in the South and Southwest that experienced extremely hot weather conditions.

Title VIII of TEA–21 established guaranteed funding levels and associated spending caps for certain transit and highway programs. Sections 8101(a) and (b) amended the BEA for the establishment of those spending limits, and for an offsetting adjustment (both budget authority and outlays) in the existing discretionary spending limits. These adjustments are displayed in Table 2. TEA–21 also provided that certain adjustments would be made in the sequestration preview report when the President submits his budget each year to align highway spending with receipts in the highway trust fund and to reflect any changes in technical estimates regarding highway and transit funding since the enactment of TEA–21. Any outlays in excess of the discretionary spending limit set for the highway or mass transit category, as adjusted, for the budget year would be considered non-defense category outlays or discretionary category outlays.

Additional Adjustments that Would Be Made Contingent Upon Final Congressional Action.—Table 2 also shows how adjustments permitted under section 251(b) of the BEA would affect the discretionary limits if they were included in appropriations bills.

Earned Income Tax Credit (EITC) Compliance Initiative.—The budget contains funding for EITC compliance initiatives, including the detection and enforcement of EITC eligibility in order to reduce EITC overpayments. Both the House and the Senate versions of the 1999 Treasury and General Government appropriations bill provide \$143 million for this initiative.

Continuing Disability Reviews (CDRs).—The budget includes funding for additional continuing disability reviews under the heading “Limitation on Administrative Expenses” for the Social Security Administration. CDRs are conducted to verify that recipients of Social Security disability insurance benefits and Supplemental Security Income benefits for persons with disabilities continue to meet the definition of disability. The House version of the 1999 Labor, Health and Human Services, Education and Related Agencies appropriations bill provides the \$355 million requested for CDRs.

Allowance for U.N. and Multilateral Development Bank (MDB) International Arrearages funding.—The BEA limited the amount of the cap adjustment for funding for arrearages for international organizations, international peacekeeping, and multilateral development banks to \$1.884 billion for 1998 through 2000. The budget requested \$502 million for international MDB arrearage payments. Approximately \$352 million is provided for this purpose in the House version of the 1999 Foreign Operations appropriations bill; \$311 million is provided in the Senate version of the bill. In addition, \$475 million was requested for U.N. arrearages. Both the House and Senate versions of the 1999 Commerce, Justice, State and Related Agencies appropriations bill provide \$475 million for this purpose.

Allowance for International Monetary Fund (IMF).—This cap adjustment would cover funding for an increase in the U.S. quota as part of the IMF Eleventh General Review of Quotas or for any increase in the maximum

amount available to the Secretary of the Treasury pursuant to section 17 of the Bretton Woods Agreement Act, as amended from time to time (New Arrangements to Borrow (NAB)). Both the House and Senate versions of the 1999 Foreign Operations appropriations bill include \$3.4 billion for IMF NAB. Only the Senate version of the 1999 Foreign Operations appropriations bill contains the \$14.5 billion requested increase in the U.S. quota for the IMF.

Adoption Incentive Payments.—The Adoption and Safe Families Act of 1997 authorizes bonus payments to States that increase the number of adoptions from the foster care system. It provides for a discretionary cap adjustment for appropriations up to \$20 million annually in each of the years 1999 through 2003. It is assumed that the cost of adoption bonuses will be offset by reductions in mandatory foster care costs. The House has provided the \$20 million requested.

Supplemental Security Income (SSI) Non-disability Redeterminations of Eligibility.—The budget proposed a cap adjustment of \$50 million in 1999 to conduct approximately 268,000 additional non-disability redeterminations of eligibility in the Supplemental Security Income program. This effort would result in estimated program savings of \$97 million in 1999 and \$216 million from 1999 to 2003. The House Labor, HHS, Education and Related Agencies appropriations bill has not included this legislation.

Special Outlay Allowance.—This allowance was included in the BEA to cover technical scoring differences that result when OMB scoring exceeds CBO scoring. If, in any year, outlays for a discretionary spending category exceed the spending limit for the category, but new budget authority does not exceed the limit for that category, the special outlay allowance may be used. The outlay adjustment is the amount of the excess spending over the limit. The adjustment cannot exceed 0.5 percent of the sum of the adjusted discretionary spending limits on outlays for that fiscal year. Based on preliminary estimates, it appears that it would be necessary to use approximately \$11 million of the \$2.8 billion special outlay allowance avail-

able for 1999 to avoid a sequester in the Violent Crime Reduction category.

The actual adjustments to the discretionary spending caps to be included in subsequent sequester reports will be determined when all appropriations have been enacted.

Summary of 1998 discretionary appropriations.—Table 3 summarizes the status of enacted 1998 discretionary appropriations, relative to the discretionary caps. Enacted budget authority and outlays are within the caps.

Table 3. SUMMARY OF 1998 DISCRETIONARY APPROPRIATIONS

(In millions of dollars)

	BA	Outlays
Non-Defense Discretionary Spending, Excluding Violent Crime Reduction Spending		
Adjusted discretionary spending limits	256,040	286,265
Total enacted	252,151	285,500
Spending over/under (-) limits	-3,889	-765
Violent Crime Reduction Spending		
Adjusted discretionary spending limits	5,500	4,833
Total enacted	5,500	4,833
Spending over/under (-) limits		
Defense Discretionary Spending		
Adjusted discretionary spending limits	271,832	269,079
Total enacted	271,753	264,449
Spending over/under (-) limits	-79	-4,630
Total Discretionary Spending—All Categories		
Adjusted discretionary spending limits	533,372	560,177
Total enacted	529,404	554,782
Spending over/under (-) limits	-3,968	-5,395

Note: 1998 Enacted amounts have been adjusted upward for amounts that were previously canceled pursuant to the Line Item Veto Act.

Status of 1999 discretionary appropriations.—Table 4 shows preliminary OMB scoring of the latest House and Senate action for 1999 appropriations bills. For House action to date, budget authority exceeds the limit set for defense discretionary spending by \$125 million in the House version of the bills that contain defense discretionary funding. If the bills containing defense discretionary funding were enacted at the levels provided by the House, they would trigger a budget authority sequester. The special outlay allowance would have to be used to avoid an outlay sequester in the

violent crime reduction category based on House action to date. Non-defense discretionary spending, mass transit spending, and highway spending are all within the budget authority and outlay limits set in the BBA for House action to date.

Defense discretionary spending, non-defense discretionary spending, crime spending, mass transit spending, and highway spending are all within the budget authority and outlay limits set in the BBA for Senate action to date.

Table 4. STATUS OF 1999 APPROPRIATIONS ACTION

(In millions of dollars)

	House			Senate		
	BA	Outlays		BA	Outlays	
DEFENSE DISCRETIONARY						
Commerce, Justice, State and the Judiciary	386	348	F	335	321	F
Defense	250,498	243,989	F	250,288	243,646	F
Emergency Funding for Bosnia/Southwest Asia (non-add)			F ¹	(1,859)	(1,451)	F ¹
Energy and Water Development	11,933	11,705	F	12,030	11,796	F
Military Construction	8,444	9,066	CN	8,444	9,066	CN
Transportation	300	300	F	300	300	F
Veterans Affairs, HUD, Independent Agencies	134	128	F	131	127	F
1999 effects of the 1998 emergency supplemental appropriations and releases of contingent emergency funding		575	²		575	²
Total, Defense Discretionary	271,695	266,111		271,528	265,831	
Estimated End-of-Session Defense Discretionary Limits	271,570	267,210		271,570	267,210	
CONGRESSIONAL ACTION OVER/UNDER(-) LIMITS	125	-1,099		-42	-1,379	
NON-DEFENSE DISCRETIONARY, EXCLUDING VIOLENT CRIME REDUCTION						
Agriculture and Rural Development	13,583	13,853	F	13,768	13,906	F
Commerce, Justice, State and the Judiciary	27,112	26,704	F ³	26,905	26,486	F ³
Defense	27	27	F	27	27	F
District of Columbia	486	474	F	482	470	C
Energy and Water Development	8,656	8,969	F	8,858	8,672	F
Foreign Operations:						
Bill Total (Excluding Funding Listed Below)	12,775	12,257	S ⁴	12,862	12,228	C ⁴
IMF: Increase in the U.S. Quota			S	14,500		C
IMF: New Arrangements to Borrow (NAB)	3,361		S	3,361		C
Interior and Related Agencies	13,365	13,845	F	13,466	13,848	C
Labor, HHS, and Education	81,712	79,695	C ⁵	N/A	N/A	
Legislative	2,327	2,357	F	2,363	2,380	F
Transportation and Related Agencies	11,638	13,177	F	11,631	13,373	F
Treasury, Postal Service, and General Gov't	13,209	12,517	F ⁶	13,208	12,528	C ⁶
Veterans Affairs, HUD, Independent Agencies	70,883	79,450	F	69,825	79,922	F
1999 effects of the 1998 emergency supplemental appropriations and releases of contingent emergency funding		799	²		799	²
Total, Non-Defense Discretionary	259,134	264,124		191,256	184,639	
Estimated End-of-Session Non-Defense Discretionary Limits	259,297	265,921	⁷	273,756	265,924	⁷
CONGRESSIONAL ACTION OVER/UNDER(-) LIMITS	-163	-1,797		-82,500	-81,285	
VIOLENT CRIME REDUCTION						
Commerce, Justice, State and the Judiciary	5,510	4,699	F	5,513	4,769	F
Labor, HHS, and Education	156	138	C	N/A	N/A	
Treasury, Postal Service, and General Gov't	132	127	F	131	135	C
Total, Violent Crime Reduction	5,798	4,964		5,644	4,904	
Estimated End-of-Session Violent Crime Reduction Limits (Ex- cluding Special Outlay Allowance)	5,800	4,953		5,800	4,964	
CONGRESSIONAL ACTION OVER/UNDER(-) LIMITS	-2	11		-156	-60	
Special Outlay Allowance Used		11				
CONGRESSIONAL ACTION OVER/UNDER(-) LIMITS (Including Special Outlay Allowance)	-2			-156	-60	

Table 4. STATUS OF 1999 APPROPRIATIONS ACTION—Continued
(In millions of dollars)

	House			Senate		
	BA	Outlays		BA	Outlays	
HIGHWAY CATEGORY						
Transportation and Related Agencies		21,462	F		21,462	F
1999 effects of the 1998 emergency supplemental appropriations and releases of contingent emergency funding		92	²		92	²
Total, Highway Category		21,554			21,554	
Estimated End-of-Session Highway Category Limits		21,977			21,977	
CONGRESSIONAL ACTION OVER/UNDER(-) LIMITS		-423			-423	
MASS TRANSIT CATEGORY						
Transportation and Related Agencies	1,113	3,942	F	1,113	3,942	F
Total, Mass Transit Category	1,113	3,942		1,113	3,942	
Estimated End-of-Session Mass Transit Category Limits		4,401			4,401	
CONGRESSIONAL ACTION OVER/UNDER(-) LIMITS		-459			-459	

Note: For BEA enforcement purposes, budget authority provided in the newly established Transit category is not counted against BEA spending limits.

Key: N/A = No Action to Date; S = Marked Up by the Subcommittee; C = Bill Reported Out by Committee; F = Bill Passed by House or by Senate; CN = Conference Action has Occurred.

Note: OMB scoring of latest House and Senate action is preliminary.

¹ Discretionary spending caps would be adjusted upward by the actual amount of enacted regular emergency funding provided.

² Budget authority and outlays from emergency appropriations enacted or released since the February budget would be included in OMB's final scoring of the individual appropriations bills as follows:

FY 1999	
Defense Discretionary:	
Defense	566
Military Construction	9
Total, Defense Discretionary	575
Non-Defense Discretionary:	
Agriculture	70
Commerce, Justice, State and the Judiciary	1
Energy and Water Development	27
Interior	20
Labor, HHS, Education	36
Transportation and Related Agencies	8
Veterans Affairs, HUD, Independent Agencies	637
Total, Non-Defense Discretionary	799
Highway Category:	
Transportation/Related Agencies	92

³ Estimates include \$475 million in BA and outlays for the funding provided for international arrearage payments.

⁴ House estimates include \$352 million in BA and \$21 million outlays and Senate estimates include \$311 million in BA and \$24 million in outlays for funding provided for international arrearage payments. The discretionary spending limits would be adjusted upward by the actual amount appropriated. Both House and Senate versions of the bill include \$3.4 billion in BA for IMF NAB. The Senate has also included \$14.5 billion in BA for the U.S. quota increase for the IMF.

⁵ House estimates include: \$355 million in BA and \$327 million in outlays provided for funding for Continuing Disability Reviews (CDRs) and \$20 million in BA and \$2 million in outlays for adoption incentive payments. The House has not provided the \$50 million requested for Supplemental Security Income's (SSI) redeterminations.

⁶ Estimates include \$143 million in BA and outlays for the Earned Income Tax Credit Initiative (EITC).

⁷ Estimated end-of-session limits are based on actual congressional action to date. The actual adjustments to the discretionary spending caps to be included in subsequent sequester reports cannot be determined until all appropriations have been enacted.

Comparison of OMB and CBO discretionary limits.—Section 254(d)(5) of the BEA requires that this report explain the differences between OMB and CBO estimates for discretionary spending limits. Table 5 com-

pares OMB and CBO limits for 1998 through 2002. CBO uses the discretionary limits from OMB's preview report as a starting point for adjustments in its sequestration update report.

Table 5. COMPARISON OF OMB AND CBO DISCRETIONARY SPENDING LIMITS

(In millions of dollars)

	1998	1999	2000	2001	2002
Non-Defense Discretionary, Excluding Violent Crime Reduction					
CBO Update Report limits:					
BA	256,222	254,591	N/A	N/A	N/A
OL	286,136	264,457	N/A	N/A	N/A
OMB Update Report limits:					
BA	256,090	254,591	N/A	N/A	N/A
OL	286,302	264,952	N/A	N/A	N/A
Difference:					
BA	-132	.....	N/A	N/A	N/A
OL	166	495	N/A	N/A	N/A
Defense Discretionary					
CBO Update Report limits:					
BA	271,832	271,570	N/A	N/A	N/A
OL	267,736	268,279	N/A	N/A	N/A
OMB Update Report limits:					
BA	271,832	271,570	N/A	N/A	N/A
OL	269,079	267,210	N/A	N/A	N/A
Difference:					
BA .....	.....	.....	N/A	N/A	N/A
OL	1,343	-1,069	N/A	N/A	N/A
Violent Crime Reduction					
CBO Update Report limits:					
BA	5,500	5,800	4,500	N/A	N/A
OL	4,833	4,953	5,554	N/A	N/A
OMB Update Report limits:					
BA	5,500	5,800	4,500	N/A	N/A
OL	4,833	4,953	5,554	N/A	N/A
Difference:					
BA .....	.....	.....	.....	N/A	N/A
OL .....	.....	.....	.....	N/A	N/A
Highways					
CBO Update Report limits:					
BA	N/A	.....	.....	.....	.....
OL	N/A	21,994	24,475	26,230	26,992
OMB Update Report limits:					
BA	N/A	.....	.....	.....	.....
OL	N/A	21,977	24,472	26,226	26,990
Difference:					
BA	N/A	.....	.....	.....	.....
OL	N/A	17	3	4	2
Mass Transit					
CBO Update Report limits:					
BA	N/A	.....	.....	.....	.....
OL	N/A	4,401	4,761	5,190	5,709
OMB Update Report limits:					
BA	N/A	.....	.....	.....	.....
OL	N/A	4,401	4,761	5,190	5,709
Difference:					
BA	N/A	.....	.....	.....	.....
OL	N/A	.....	.....	.....	.....

Table 5. COMPARISON OF OMB AND CBO DISCRETIONARY SPENDING LIMITS—Continued

(In millions of dollars)

	1998	1999	2000	2001	2002
Total Discretionary					
CBO Update Report limits:					
BA	N/A	N/A	531,626	540,951	549,981
OL	N/A	N/A	534,217	538,571	534,068
OMB Update Report limits:					
BA	N/A	N/A	531,626	540,951	549,981
OL	N/A	N/A	533,975	538,132	533,697
Difference:					
BA	N/A	N/A	.....	.....	.....
OL	N/A	N/A	-242	-439	-371
Total Discretionary Spending Limits					
CBO Update Report limits:					
BA	533,554	531,961	536,126	540,951	549,981
OL	558,705	564,084	569,007	569,991	566,769
OMB Update Report limits:					
BA	533,422	531,961	536,126	540,951	549,981
OL	560,214	563,493	568,762	569,548	566,396
Difference:					
BA	-132	.....	.....	.....	.....
OL	1,509	-557	-239	-435	-369

OMB and CBO have a different estimate of budget authority for emergency funding enacted since February. CBO scores budget authority (and associated outlays) for contingent emergency appropriations in the year in which it is appropriated. P.L. 105-174, the FY 1998 Emergency Supplemental Appropriations and Rescissions Act, provided \$182 million in contingent emergency appropriations that have not yet been released by the President. OMB scores budget authority (and associated outlays) for only those contingent appropriations officially requested for release by the President and designated by the President as emergency requirements. Offsetting this difference, CBO caps do not include the \$50 million August 14th emergency release because the CBO report was completed before that date.

OMB and CBO also have different estimates of how emergency funding enacted since February will affect outlays, due primarily to

differences in assumptions made regarding the outlays associated with the additional resources provided in P.L. 105-174. That bill contained \$1.6 billion in additional funding for the Federal Emergency Management Agency's Disaster Relief Fund in 1998. CBO did not score any outlays in 1998 or 1999 for that account. CBO assumed that outlays would occur in 2000 and beyond. OMB scored outlays of \$640 million in 1999, \$640 million in 2000, and \$320 million in 2001 for the additional funding provided in that bill. The bill also provided \$1.8 billion in additional funding for Defense Department's Overseas contingency operations transfer account. CBO and OMB assumed different outlay patterns for the additional funding, most notably in 1998 and 1999. CBO scored \$363 million in outlays for 1998 and \$1.2 billion in outlays in 1999 while OMB scored \$1.4 billion in outlays for 1998 and \$361 million in outlays for 1999 for that account.

III. PAY-AS-YOU-GO SEQUESTRATION REPORT

Pay-as-you-go enforcement covers all direct spending and receipts legislation. The BEA defines direct spending as entitlement authority, the food stamp program, and budget authority provided by law other than in appropriations acts. The following are excluded from the pay-as-you-go scorecard: legislation affecting Social Security and the Postal Service, legislation specifically designated as an emergency requirement, and legislation fully funding the Federal Government's commitment to protect insured deposits.

The BEA requires that, in total, receipts and direct spending legislation not result in a net deficit increase to the Federal Government. If such legislation does yield a net deficit increase, and if the President and Congress do not fully offset it by other legislative savings, the law requires that a sequester of non-exempt direct spending programs offset that cost.

The BEA also requires that, within seven working days of the enactment of direct spending or receipts legislation, OMB submit a report to Congress that estimates the resulting change in outlays or receipts for the current year, the budget year, and the following four fiscal years. The estimates,

which must rely on the economic and technical assumptions underlying the most recent President's budget, determine whether the pay-as-you-go requirement is met. The pay-as-you-go process requires that OMB maintain a "scorecard" that shows the cumulative impact of such legislation.

Table 6 presents OMB estimates of pay-as-you-go legislation included in the individual bill reports issued through August 15, 1998. In total, these bills have saved \$271 million for 1998 and \$368 million for 1999. (As required by the BEA, the 1998 total reflects only Acts added to the scorecard after the 1998 final sequestration report was issued.) At the end of this session of Congress, OMB will determine the need for sequestration by combining the 1998 and 1999 totals. For reports issued through August 15, 1998, this calculation yields a savings of \$639 million. Thus, if legislation enacted through the end of the session does not add more than that amount to the pay-as-you-go scorecard, sequestration for 1999 will not be required. The table also shows net costs on the scorecard for 2001 through 2003.

Table 6. IMPACT OF PAY-AS-YOU-GO LEGISLATION REPORTED ON BY OMB AS OF AUGUST 15, 1998

(In millions of dollars)

Report Number	Act Number	Act Title	1998	1999	2000	2001	2002	2003
Pay-go-as-you balances in FY 1999 Preview Report:								
		OMB estimate	-153	11	16	14	10	9
		CBO estimate	-156	68	95	96	22	-68
Legislation enacted in 2nd session—105th Congress:								
438	P.L. 105-156 H.R. 3042	Environmental Policy and Conflict Resolution Act of 1998:						
		OMB estimate	*	*	*	*	*	*
		CBO estimate	0	0	0	0	0	0
439	P.L. 105-167 S. 750	Little Missouri National Grasslands Mineral Interests Exchange Act:						
		OMB estimate	0	*	*	*	*	*
		CBO estimate	0	0	0	0	0	0
440	P.L. 105-171 H.R. 3226	George Washington National Forest/Jefferson National Forest Land Conveyance Act:						
		OMB estimate	0	-1	-1	0	0	0

Table 6. IMPACT OF PAY-AS-YOU-GO LEGISLATION REPORTED ON BY OMB AS OF AUGUST 15, 1998—Continued
(In millions of dollars)

Report Number	Act Number	Act Title	1998	1999	2000	2001	2002	2003
		CBO estimate	0	-1	-1	0	0	0
441	P.L. 105-172 S. 493	Wireless Telephone Protection Act: OMB estimate	*	*	*	*	*	*
		CBO estimate	0	0	0	0	0	0
442	P.L. 105-173 S. 1178	Visa Waiver Pilot Program Extension: OMB estimate	0	0	0	0	0	0
		CBO estimate	0	0	0	0	0	0
443	P.L. 105-178 H.R. 2400	Transportation Equity Act for the 21st Century: OMB estimate	-421	-306	-93	-91	-275	-362
		CBO estimate	-440	-392	249	320	194	133
444	P.L. 105-180 H.R. 3565	Care for Police Survivors Act of 1998: OMB estimate	1	1	1	1	1	1
		CBO estimate	1	1	1	1	1	1
445	P.L. 105-184 H.R. 1847	Telemarketing Fraud Prevention Act: OMB estimate	*	*	*	*	*	*
		CBO estimate	0	0	0	0	0	0
446	P.L. 105-185 S. 1150	Agriculture Research, Extension, and Education Reform Act of 1998: OMB estimate	0	-107	-136	-63	-45	-16
		CBO estimate	0	5	24	-50	-53	-33
447	P.L. 105-186 S. 1900	U.S. Holocaust Assets Commission Act of 1998: OMB estimate	0	0	0	0	0	0
		CBO estimate	0	0	0	0	0	0
448	P.L. 105-187 H.R. 3811	Deadbeat Parents Punishment Act of 1998: OMB estimate	*	*	*	*	*	*
		CBO estimate	0	0	0	0	0	0
449	P.L. 105-194 S. 2282	Agriculture Export Relief Act of 1998: OMB estimate	0	0	0	0	0	0
		CBO estimate	7	24	11	0	0	0
450	P.L. 105-199 H.R. 3035	National Drought Policy Act of 1998: OMB estimate	0	0	0	0	0	0
		CBO estimate	0	0	0	0	0	0
451	P.L. 105-200 H.R. 3130	Child Support Performance and Incentive Act of 1998: OMB estimate	-36	-48	-91	-121	-181	129
		CBO estimate	0	-100	-55	-65	10	210
452	P.L. 105-206 H.R. 2676	IRS Restructuring and Reform Act of 1998: OMB estimate	338	82	-33	543	1,018	1,234
		CBO estimate	-168	-659	-519	241	806	1,157
453	P.L. 105-210 H.R. 1779	Mark Twain National Forest Boundary Adjustment: OMB estimate	0	*	0	0	0	0
		CBO estimate	0	0	0	0	0	0
454	P.L. 105-215 H.R. 3156	Congressional Gold Medal for Nelson Mandela: OMB estimate	0	0	0	0	0	0
		CBO estimate	0	0	0	0	0	0
455	P.L. 105-216 S. 318	Homeowners Protection Act of 1998: OMB estimate	0	0	0	0	0	0
		CBO estimate	2	2	0	0	0	0
Subtotal, legislation enacted in 2nd session—105th Congress:								
		OMB estimate	-118	-379	-353	269	518	986
		CBO estimate	-598	-1,120	-290	447	958	1,468
Total, balances:								
		OMB estimate	-271	-368	-337	283	528	995
		CBO estimate	-754	-1,052	-195	543	980	1,400

* Net costs or savings of \$500,000 or less.

Pending legislation.—The Congress completed action on several pay-as-you-go bills that have not yet been transmitted to the President or have been signed but not yet reported on. Because official OMB reports have

not been issued for these bills, OMB did not take them into account for this report. Current OMB estimates of these bills are shown in Table 7.

Table 7. PRELIMINARY ESTIMATES OF LEGISLATION PENDING ENACTMENT OR OMB REPORTING
(net costs in millions of dollars)

Bill Number	Bill Title	1998	1999	2000	2001	2002	2003
H.R. 434	Carson and Sante Fe National Forest Land Conveyance Act	0	*	0	0	0	0
H.R. 1151	Credit Union Membership Access Act	0	0	0	0	0	0
H.R. 1385	Workforce Investment Act	0	0	0	0	0	0
H.R. 1757	Foreign Relations Authorization Act ¹						
H.R. 4354	U.S. Capital Police Memorial Fund	0	0	0	0	0	0
S. 2344	Emergency Farm Financial Relief Act	0	0	0	0	0	0

¹ Estimates not yet available.

* Net costs or savings of \$500,000 or less.

Comparison with CBO estimates.—The BEA requires that OMB explain differences with CBO estimates of enacted pay-as-you-go legislation. Table 6 shows the CBO estimate for each Act as it was reported in CBO’s pay-as-you-go bill reports. For the sum of 1998 and 1999, OMB estimates savings of \$0.6 billion, \$1.2 billion less than the \$1.8 billion estimated by CBO. Almost the entire difference

results from differences in pricing the IRS Restructuring and Reform Act of 1998. These pricing differences resulted from different views of the impact of revenue provisions as well as differences in baseline estimates. More detail on this difference, as well as smaller differences in other bills, is available in the separate reports issued subsequent to enactment of each bill.